

**T**HE NEXT 12 MONTHS WILL BE CRUCIAL FOR Indonesia. Presidential and general elections will be held in February 2024. It will mark an end to the decade-long presidency of Joko Widodo (Jokowi) and the beginning of a new government. Despite these impending changes, there will be continuity in the political dynamics and the general economic direction of the country.

During the Jokowi years, democratic institutions and practices introduced after 1998 have become more entrenched. Post-Soeharto democratization has been a gradual evolution. Constitutional reforms gave birth to a government structure and processes that resembled a Western liberal democracy but with Indonesian characteristics.

A hybrid system has emerged, one that has both the features of a presidential and a parliamentary democracy. Decentralization followed by elections at both national and local levels and the separation of powers constituted the foundation for a check-and-balance equilibrium. Acting as a safeguard against separatism and the tendency toward a concentration

## INDONESIA:

# CHANGE & CONTINUITY

of power in Jakarta, this system was conducive to a fundamental shift from a Java-centric approach to policymaking. Jokowi's infrastructure program, for instance, has been focused on the outer islands, particularly in East Indonesia.

In successive general elections since 1999, no single party has won a majority in the DPR (short for the Indonesian Dewan Perwakilan Rakyat, or People's Representative Council, also known as the House of Representatives). Coalitions became the *sine qua non*. Soeharto's successors, Bacharuddin Jusuf Habibie, Abdurrahman Wahid and Megawati Soekarnoputri, who each presided over relatively short-lived administrations, found these shifting alliances a political nightmare. Even Susilo Bambang Yudhoyono, who served 10 years, and Jokowi himself, who was elected in 2014 and will finish his second term of office next year, have been compelled to make concessions to retain the support of the political parties in parliament.



Upcoming elections mark a potential inflection point in the positive trends of ASEAN's biggest economy, says Brunswick Senior Advisor **EDWARD LEE.**

Today, seven of the nine parties in the DPR are partners in Jokowi's government and his opponent in the last presidential elections, Prabowo Subianto, is the Minister of Defense. A source of political stability in this vast and diverse archipelagic state, coalition politics has become a mainstay of Indonesian politics and power sharing.

Indonesia has seen steady economic growth since the 1997 Asian financial crisis. Emerging from the pandemic, the economy grew 5.3% in 2022. Growth this year is expected to be 5%. The economic teams that followed Soeharto's economic technocrats (labeled the "Berkeley Mafia") continued the liberal market policies of their predecessors. Except for some protected sectors, the economy has largely been open and linked to the major markets of the world.

Indonesia is a huge beneficiary of globalization. As Chair of the G20 Summit last November, Southeast Asia's biggest economy reaffirmed its commitment to an open international economic order and

macro policy cooperation. The country continues to make systematic moves to develop into a more attractive destination for foreign investments.

Under Jokowi, Indonesia introduced bold legislation such as the Omnibus Job Creation Bill toward this end. Its big market, demographic dividend, abundant natural resources, a fast-expanding middle class and rising purchasing power have drawn in a steady stream of foreign direct investments.

Political stability and GDP growth notwithstanding, Indonesia is beset with pressing economic and social challenges. The government must contend with an aging infrastructure, relatively high unemployment, income disparity and corruption. Jokowi has embarked on various initiatives to address these challenges. The governments after him will have to persist with these efforts.

Last year's successful hosting of the G20 Summit in Bali has given a significant boost to Indonesia's international stature. Prior to the summit, Jokowi's focus was more on domestic developments. But his deft diplomatic handling of the complicated issues surrounding the US-China geopolitical rivalry as well as the war in Ukraine earned him global acclaim after the successful summit.

Since then, Indonesia has raised its profile in regional and international affairs, injecting more urgency and substance to its *bebas aktif* (independent and active) foreign policy. As Chairman of ASEAN this year, Indonesia is spearheading the search for a resolution to the situation in Myanmar and the diplomatic drive to urge China to sign on to the Code of Conduct in the South China Sea.

In the backdrop of the US-China geopolitical contest, Indonesia is leading ASEAN to occupy a sweet spot between the superpowers. It is in the interests of the ASEAN countries to be friends with both China and the US. China values its relationship with ASEAN. With its big market straddling sea lanes, and home to rich natural resources, ASEAN covers China's southern flank. The US, through proposals such as the Indo-Pacific Economic Framework, is trying to counterbalance China's growing economic influence in the region. In this complicated chessboard, Indonesia, given its geostrategic weight, occupies a critical position in the emerging multipolar landscape.

As a leader in ASEAN, Indonesia has been important in promoting closer regional cooperation. It was instrumental in establishing the security, economic and social architecture in ASEAN. ZOPFAN (Zone of Peace, Freedom and Neutrality); AFTA (the ASEAN Free Trade Area) and the ASEAN

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Community are some of these key components. With an eye to sustaining regional peace and harmony, Jakarta has been proactive in eliminating areas of potential friction with its two immediate neighbors, Malaysia and Singapore, through a series of agreements involving border demarcation, delegation of air traffic's Flight Information Region, extradition and illegal migrant labor.

As a further step toward closer bilateral cooperation, Indonesia is starting up projects with Singapore on renewable energy such as the manufacturing of solar panels, battery-storage systems and a framework for cross-border trade in electricity. With Malaysia, it is in discussion to improve connectivity through air and ferry links, find a common stance on their palm oil dispute with the EU and regarding the development of smart townships. Indonesia is keen to develop promising growth areas such as the digital economy and the renewable energy sector.

The coming elections in February 2024 will determine the political and economic direction of Indonesia for the next five years. Not only will there be a change in the presidency, but there will also be a reconfiguration in the composition of the DPR and at the provincial and regency levels. The bigger coalition partners in the current government, such as the PDIP, Golkar, Gerindra, PKB and Nasdem parties, are expected to feature prominently again. They occupy the predominant middle ground in the Indonesian political constellation supporting the preservation of a secular state, an open economy and an "independent and active" foreign policy.

The only party that advocates for an Islamic state, the Justice and Prosperity Party (PKS), has never won more than 9% of the votes in any election. It is not in the ruling coalition. According to the Indonesia National Survey 2022 by the ISEAS Yusof Ishak Institute, a vast majority of the respondents are not in favor of the establishment of an Islamic state in Indonesia. They also hold the view that Pancasila, the secular state philosophy, is in line with Islam.

It is unlikely that any single party will be able to win the majority in the coming elections. PDIP, the largest party in the DPR, only won 20% of the votes in 2019. Ranking just below PDIP, Gerindra and Golkar each received about 12% of the votes. Like Jokowi, his successor will have to preside over a government through a coalition anchored in *musyawarah mufakat* (consultations and consensus), transactional politics and a constant realignment of interests. Evolved after 1998, this model of coalition politics à la Indonesia forms the basis for continuity, stability and growth. ♦